GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:1155
ANSWERED ON:30.07.2001
PERFORMANCE OF INDIAN AIRLINES
SRIKANTA DATTA NARASIMHARAJA WADIYAR

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether the Government have taken any steps to improve the performance of Indian Airlines;

(b) if so, whether the Indian Airlines has been able to make up its losses during last three years;

(c) if so, whether any prospective plan has been formulated for the better performance of Indian Airlines during 2001-2002;

(d) if so, the details thereof; and

(e) the time by which Indian Airlines is expected to come out of red?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SHARAD YADAV)

(a): The following measures have been taken to further improve the performance of Indian Airlines:-

+ Adoption of a policy of flexible fares on its domestic network w.e.f. 25th May, 2001. Under the Flexi-fares, fixation of fares will be based on seasonality, competition, timing of flight and other demand and supply variables. This is expected to improve revenue earnings of the Company due to higher capacity utilization and better yields.

+ Strict Budgetary Control with all the major items of expenditure are subject to cost benefit analysis, operational and commercial expediency, financial sanctions etc.

+ Better Fleet Utilisation; Improvement in the productivity of Pilots, Aircraft Engineers, Minimizing the ground turn round time, Night flight on certain domestic sectors, Increased International operations, Better scheduling of aircraft and route planning, Capacity deployment alignment with market requirements etc.

+ Improvement in the quality of product; Improvement in On-time performance, general improvement and upgradation of services to the users etc.

+ Marketing initiatives; Code sharing with the foreign airlines, High level of participation in Computerised Reservation System, Various promotional schemes including corporate incentives etc.

+ Cost control measures, Control of overtime, casual labour, hotel/travel expenditure, crew lay over expenditure, freeze on recruitment unless absolutely necessary for operational reasons, Fuel monitoring and tankering, control on aircraft maintenance, Reduction in publicity and sales promotional expenditure, Review of uneconomic flights, Inventory management, Outsourcing of services to the extent feasible etc.

(b): The Company had earned profit during the financial years from 1997-98 to 1999-2000 as indicated below:

Year	Net profit (Before Tax) (Rs. crores)
1997-98	47.27
1998-99	14.17
1999-2000	51.42

The Revenue and Expenditure Budget of the Company for the year 2000-01 prepared and approved in December, 1999, projected a net profit of Rs.28.75 crores at the then prevailing input prices. Subsequent to the Budget approval in December 1999, there was

steep rise in ATF prices and other input costs, which brought an additional financial burden of over Rs.300 crores on the Company. As a result, the Revised Estimates (RE) for the year 2000-01 reflect a loss of Rs.177.25 crores. The Annual Accounts for the year are presently under audit.

Had the above cost escalations not taken place, the Company would have ended the financial year 2000-01 with a profit higher than the budgeted profit of Rs.28.75 crores.

(c) and (d): Yes, Sir. The perspective plan formulated by Indian Airlines for the year 2001 -2002 includes product upgrades like enhanced facilities to the passengers in the existing computerized check-in system and various marketing initiatives such as holiday packages, Complimentary Drop facility for Executive Class passengers, Call centres etc.

(e): The flexi-fares policy adopted by the Company coupled with various other measures, would enable it to further improve performance and profitability. In the first two months of the current financial year i.e. April and May, 2001, the Company has made a net loss of Rs.32.70 crores as against the budgeted net loss of Rs.35.09 crores.